WHO IS THE OWNER OF MONETARY POLICY?

The conduct of Monetary Policy in Nigeria began with the establishment of the Central Bank of Nigeria on July 1, 1959 following the enactment of the CBN Act of 1958, and the subsequent amendments, the latest of which is contained in Central Bank of Nigeria (Amendment) Decree No. 40 of 1999. In Part I, Section 2 (c) and (d) of the CBN Act, the Bank is authorized to promote monetary stability and a sound financial system as well as safeguard the international value of the national currency. Consistent with these provisions of the Act, the Central Bank conducts monetary policy with a view to influencing the direction of short-term interest rates, money supply and credit as a means of achieving price stability, low unemployment, balance of payments viability and economic growth.

Traditionally, the level of a central bank's independence determines who lays claim to the ownership of monetary policy, whether the central government or the Bank. As an institution established by statute, the central bank does not act in isolation of the economic objectives of the government. Government economic programmes are designed for the overall economic growth and development of the country. To achieve these programmes, government works through established institutions charged with statutory responsibility for engagement in the pursuit of specific tasks for the overall economic growth and stability of the country. The central bank therefore, is one such institution whose statutory mandate involves an implicit responsibility for conducting monetary policy.

While an independent central bank may pursue its monetary policy programme independent of the political authorities, such monetary policies nonetheless, are consistent with the overall macroeconomic goals of the government at the time. Thus, central banks do not pursue monetary policy as if they were a government of their own because such polices must be in tandem with the government's economic programme.

The ownership of monetary policy must be seen from the viewpoint of the central bank being banker to the government. A populist government, a dictatorship or one which has lost its bearing with the people nevertheless, but retains legitimacy controls all institutions of government and their activities and outcomes. Thus, irrespective of the type of government, the central bank conducts monetary policy not for itself nor on its account, but for and on behalf of the citizens of the country for the purpose of achieving macroeconomic stability and growth through the environment created by the government. Thus, it must need to work with and through existing civil institutions which already have established machinery for conveying the policy prescriptions and for actualizing the intents of monetary policy. Since central banks derive their mandates to make rules of monetary policy from statutes, and the rules must be obeyed by all the actors in the financial system, they are said to be acting for and on behalf of the people who are the real owners of monetary policy.

Functionally and operationally, central banks could be said to be the originators of monetary policy because of the massive assemblage of critical technocrats in monetary management and engineering. They also have the mandate to supervise the execution of monetary policy with a view to achieving the overall goals of macroeconomic management. However, based on the stated objectives of monetary policy, the ordinary man on the street is the owner of monetary policy because the policy is wittingly designed to improve the standard of living through ensuring the attainment of low inflationary growth, stable prices and creation of employment, viable balance of payments and the overall economic growth and development of the country. In a globalizing world, the effects of monetary policy have ceased to be confined to the geographical boundaries of individual countries that is why, the international community is interested with the monetary policy programmes and outcomes in every country as domestic shocks are easily transmitted to the rest of the world, depending however, on the size of the economy in question.